

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 1801

To apply certain minimum standards to the conversion of savings associations and savings banks from the mutual form to the stock form, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1994

Mr. RIEGLE (for himself and Mr. D'AMATO) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

## A BILL

To apply certain minimum standards to the conversion of savings associations and savings banks from the mutual form to the stock form, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Mutual Depository In-  
5 stitution Conversion Protection Act of 1994”.

### 6 **SEC. 2. MUTUAL-TO-STOCK CONVERSIONS BY STATE INSTI-** 7 **TUTIONS.**

8 Section 5(j) of the Home Owners’ Loan Act (12  
9 U.S.C. 1464(j)) is amended to read as follows:

1       “(j) STOCK CONVERSIONS BY STATE INSTITU-  
2 TIONS.—

3               “(1) APPLICATION OF FEDERAL REGULA-  
4 TIONS.—A converting institution shall be subject to  
5 such regulations as the Director shall prescribe. The  
6 appropriate State regulatory authority may impose  
7 more restrictive rules or regulations on such conver-  
8 sions if it deems such action to be appropriate.

9               “(2) LIMITATION ON INSIDER TRANS-  
10 ACTIONS.—An officer, director, or employee of a  
11 converting institution may purchase or receive, di-  
12 rectly or indirectly, shares of or any other beneficial  
13 interest in that institution only under the same  
14 terms and conditions and only in the same amounts  
15 as are available—

16                       “(A) to any depositor of the institution  
17 who is not otherwise affiliated with the institu-  
18 tion, if such officer, director, or employee is a  
19 bona fide depositor of the institution; or

20                       “(B) generally to any other person who is  
21 not affiliated with the institution, if such offi-  
22 cer, director, or employee is not a bona fide de-  
23 positor of the institution.

24               “(3) CONSIDERATION OF ADDITIONAL COM-  
25 PENSATION.—No proposal may be made to the

1 shareholders of a converted institution during the 1-  
2 year period beginning on the date of conversion to  
3 increase the direct or indirect compensation of an of-  
4 ficer, director, or employee of the institution in ex-  
5 cess of the compensation of such person prior to the  
6 date of the conversion.

7 “(4) AGGREGATE LIMIT ON BENEFICIAL INTER-  
8 ESTS OF INSIDERS.—The Director shall, by regula-  
9 tion, establish an appropriate aggregate percentage  
10 of and an aggregate dollar limitation on the bene-  
11 ficial interests in a converting institution that may  
12 be held, directly or indirectly, by any officer, direc-  
13 tor, or employee of the institution.

14 “(5) DEFINITIONS.—For purposes of this sub-  
15 section—

16 “(A) the terms ‘State savings association’  
17 and ‘State savings bank’ have the same mean-  
18 ings as in section 3 of the Federal Deposit In-  
19 surance Act;

20 “(B) the term ‘converted institution’  
21 means a State savings association or State sav-  
22 ings bank that converted from the mutual form  
23 to the stock form after January 26, 1994; and

24 “(C) the term ‘converting institution’  
25 means a State savings association or a State

1 savings bank that is converted from the mutual  
2 form to the stock form after January 26,  
3 1994.’’.

4 **SEC. 3. CONVERSIONS BY FEDERAL INSTITUTIONS.**

5 Section 5(i) of the Home Owners’ Loan Act (12  
6 U.S.C. 1864(i)) is amended by adding at the end the fol-  
7 lowing new paragraph:

8 “(5) INSIDER TRANSACTIONS AND COMPENSA-  
9 TION.—

10 “(A) IN GENERAL.—In any conversion, on  
11 or after January 26, 1994, of a Federal savings  
12 association or a Federal savings bank from the  
13 mutual form to the stock form—

14 “(i) an officer, director, or employee  
15 of the institution that is the subject of the  
16 conversion may purchase or receive, di-  
17 rectly or indirectly, shares of or any other  
18 beneficial interest in that institution only  
19 under the same terms and conditions and  
20 only in the same amounts as are avail-  
21 able—

22 “(I) to any depositor of the insti-  
23 tution who is not otherwise affiliated  
24 with the institution, if such officer, di-

1 rector, or employee is a bona fide de-  
2 positor of the institution; or

3 “(II) generally to any other per-  
4 son who is not affiliated with the in-  
5 stitution, if such officer, director, or  
6 employee is not a bona fide depositor  
7 of the institution; and

8 “(ii) no proposal may be made to the  
9 shareholders of the institution during the  
10 1-year period beginning on the date of con-  
11 version to increase the direct or indirect  
12 compensation of an officer, director, or em-  
13 ployee of the institution in excess of the  
14 compensation of such person prior to the  
15 date of the conversion.

16 “(B) AGGREGATE LIMIT ON BENEFICIAL  
17 INTERESTS OF INSIDERS.—The Director shall,  
18 by regulation, establish an appropriate aggre-  
19 gate percentage of and an aggregate dollar limi-  
20 tation on the beneficial interests in any institu-  
21 tion that is the subject of a conversion de-  
22 scribed in subparagraph (A) that may be held,  
23 directly or indirectly, by any officer, director, or  
24 employee of the institution.”.

1 **SEC. 4. REGULATIONS.**

2 Not later than 90 days after the date of enactment  
3 of this Act, the Director of the Office of Thrift Supervision  
4 shall promulgate final regulations to implement sub-  
5 sections (i)(5) and (j) of section 5 of the Home Owners'  
6 Loan Act, as amended by this Act.

7 **SEC. 5. STUDY AND REPORT.**

8 (a) STUDY.—The Secretary of the Treasury shall  
9 conduct a study to determine—

10 (1) the adequacy of existing Federal law in en-  
11 suring equity and fairness in the conversion of sav-  
12 ings associations and savings banks from the mutual  
13 form to the stock form;

14 (2) the accuracy of existing stock appraisal and  
15 valuation techniques employed in such conversions;  
16 and

17 (3) the adequacy of disclosures to depositors  
18 and the public concerning such conversions.

19 (b) REPORT.—Not later than 1 year after the date  
20 of enactment of this Act, the Secretary of the Treasury  
21 shall submit to the Congress a report of the results of the  
22 study conducted under subsection (a).

○